



# 2019 ANNUAL REPORT

Enhancing lives through exceptional

**SERVICE**

**& STRENGTH**

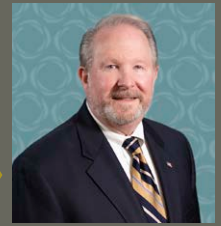
**FINANCIAL SOLUTIONS**

# CEO & CHAIRMAN REPORT



Stewart Ramsey  
President & CEO

Robert Jacobson  
Chairman of the Board



As we write this report, the world is in the middle of the COVID-19 pandemic which is impacting the lives of everyone in some way. While the health of so many is the primary focus, the financial markets are enduring a sudden and dramatic shift that was not anticipated and our government, along with governments around the world are taking action to support their businesses and citizens. Through prudent governance and leadership over the last 84 years, Pen Air is well positioned to weather this current challenge and be here for all of our members for many years to come.

While the pandemic is taking the headlines at the moment, the various reports included in this document are sharing the work and success that occurred in 2019. Success can be measured in many ways, but we are focused on providing a high level of service to our members and ensuring the long-term financial health of the credit union. During 2019, we had a record setting year in both areas.

Our service level to the members is measured through member surveys that have been sent to the members over the last several years. While Pen Air has historically received well above average marks on the survey, our team was laser focused on improving our service and were able to increase that mark by 10% in a single year which is quite an accomplishment. In addition, we had our strongest financial year on record as you will see in the accompanying financial reports.

During 2019, the Board of Directors and leadership team developed a new strategic plan for the next three years with a number of new initiatives. While this current economic shift may force us to review the timing of the plan and our priorities, trust that our goal is to continue to provide exceptional service, improve our digital capabilities for staff and members, and to expand our services into new markets. The strong financial position of the credit union will allow us to continue moving forward with these objectives.

The success of Pen Air is driven by two main factors: the trust and loyalty of our members and the strength and focus of our staff and volunteers. Thank you for the critical role you play in our success and trusting us to fulfill our mission of enhancing the lives of our members and community.

## EXECUTIVE MANAGEMENT



- » Stewart Ramsey, President/CEO
- » Carroll Scarborough, EVP/CAO
- » Angie Betts, EVP/COO
- » Shirley Harris, SVP/ CFO
- » Dana Mullins, SVP/CPO
- » Ryan Ross, SVP/ CRO

## BOARD OF DIRECTORS



- » Robert Jacobson, Chairman
- » Stephanie Oram, Vice Chair
- » Ann McCall, Treasurer
- » Randy Roy, Secretary
- » Eileen Ehram, Director
- » Don Bailey, Director
- » Vann Godloe, Interim Director

## SUPERVISORY COMMITTEE



- » Ricky Crews, Chair
- » Randy Smith, Vice Chair
- » Darryl W. Johnson, Secretary
- » Kevin Krieger
- » Cheryl Howard

## SUPERVISORY COMMITTEE REPORT

The Supervisory Committee's responsibility is the monitoring and evaluation of Pen Air Federal Credit Union's financial activities on behalf of its members to ensure continued viability of the credit union. It is the committee's responsibility to affirm that the credit union's management is protecting the assets of the credit union by establishing and maintaining sound internal controls in accordance with Generally Accepted Accounting Principles, the Federal Credit Union Act, and Pen Air's Bylaws. The Supervisory Committee is also responsible for providing an independent assessment of the protection and soundness of your credit union by monitoring all operational areas and determining that the financial condition of Pen Air is accurately presented in its financial statements.

The Supervisory Committee engaged the Firm of Clifton Larson Allen, Certified Public Accountants, for the 2019 audit. This independent firm was contracted by the committee to verify the financial statements, the accuracy of member account statements, and compliance with federal regulations and Board policy. Annual examinations are also performed by the National Credit Union Administration (NCUA), the regulatory agency for all federally-chartered credit unions. The NCUA evaluates the credit union's financial condition, integrity, and soundness.

Under the direction of the committee, Pen Air's Internal Audit Department maintains a wide-ranging and persistent review of the credit union's processes. This guidance ensures that all activities are in compliance with the policies and procedures and that the interests of the members and credit union are protected.

The primary role of the Supervisory Committee is to review Pen Air's financial records and to ensure that all is in order and that internal controls are in place to protect both the credit union and its members. Each member of the Supervisory Committee is a volunteer appointed annually by Pen Air's Board of Directors. We assist the Board of Directors in its general oversight of the credit union's financial reporting, internal controls, and audit function.

The committee affirms, based on its audits, the annual report of independent accountants, and the examination report by the NCUA that the policies, programs, and management practices of Pen Air are sound and that members' assets are well safeguarded. The committee is appreciative of the support provided by the Board of Directors, President, committees, and staff.

Your Supervisory Committee Members are honored to serve and to assist in ensuring the financial well-being of our members' assets. The Committee will continue to exercise best practices to ensure the financial integrity of Pen Air for its members. We look forward to Pen Air's continued success in providing financial protection, seeking solutions, and meeting the needs of its members.

Respectfully Submitted,  
Ricky L. Crews, Chair

## STATEMENT OF FINANCIAL CONDITION

As of December 31, 2019 (unaudited)

### Assets

CASH AND CASH EQUIVALENTS	\$ 111,068,509.71
INVESTMENTS	\$ 396,468,711.02
LOANS AND LEASES NET OF ALLOWANCE FOR LOAN LOSSES	\$ 967,026,793.61
OTHER ASSETS	\$ 76,190,590.33
TOTAL ASSETS	<u>\$ 1,550,754,604.67</u>

### Liabilities, Shares, And Equity

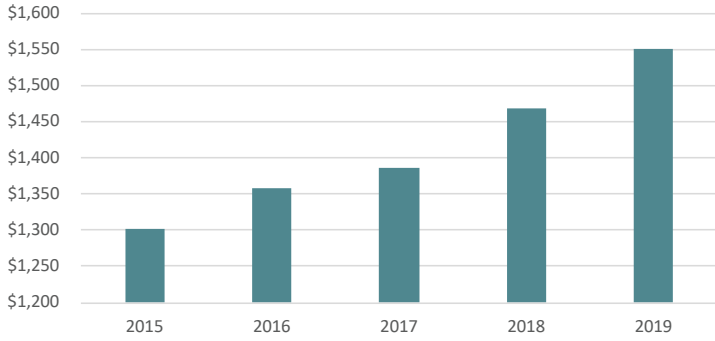
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ 37,889,318.51
MEMBER SHARES AND DEPOSITS	\$ 1,296,579,085.38
TOTAL EQUITY	<u>\$ 216,286,200.78</u>
TOTAL LIABILITIES, SHARES, AND EQUITY	<u>\$ 1,550,754,604.67</u>

## INCOME STATEMENT

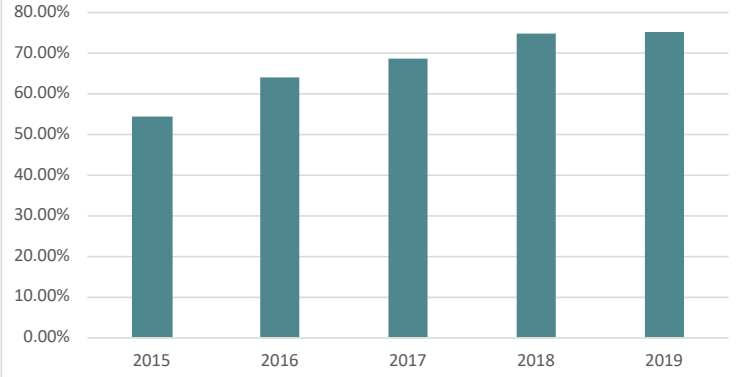
	Year to Date
INTEREST ON LOANS	\$ 49,258,377.98
INCOME FROM INVESTMENTS	\$ 10,368,791.09
INTEREST EXPENSE	\$ 11,071,576.32
NET INTEREST INCOME	\$ 48,555,592.75
FEE INCOME	\$ 14,021,134.02
OTHER OPERATING INCOME	\$ 12,234,969.11
NON-OPERATING INCOME (LOSS)**	\$ 1,246,443.27
PROVISION FOR LOAN LOSSES	\$ 6,195,301.00
NON-INTEREST EXPENSE	\$ 51,204,932.87
NET INCOME (LOSS)	<u>\$ 18,657,905.28</u>

\*\*Includes \$139,544.47 of accumulated other comprehensive income reclassifications for YTD gains realized on securities available for sale.

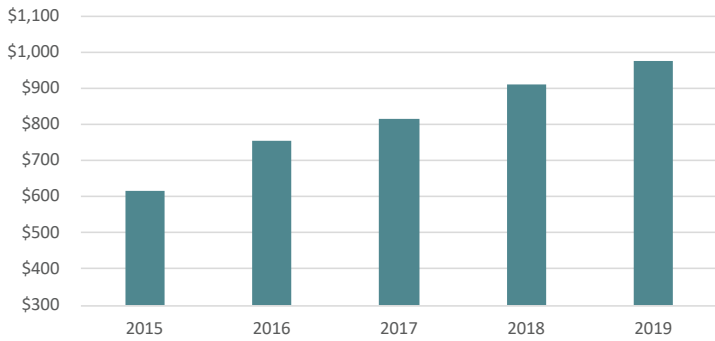
Total Assets  
(in Millions)



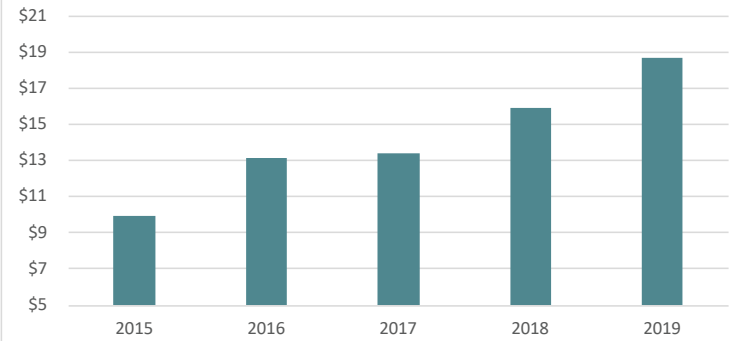
Loan/Deposit Ratio



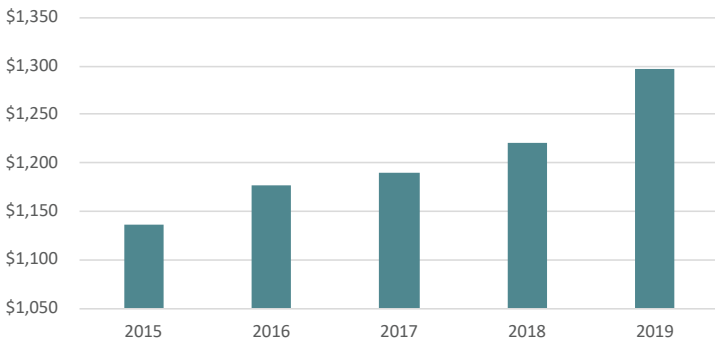
Total Loans  
(in Millions)



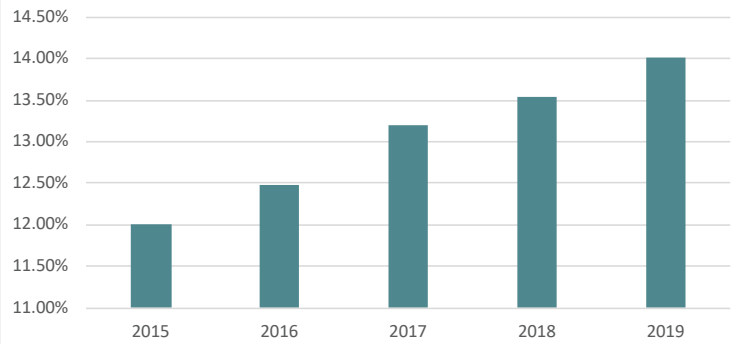
Net Income  
(in Millions)



Total Deposits  
(in Millions)



Capital Ratio  
(Safety & Soundness)



# 2019 ANNUAL MEETING MINUTES

It has been my honor to serve as your Secretary on Pen Air Federal Credit Union's Board of Directors. Each monthly Board Meeting and periodic sub-committee meetings are carefully documented for National Credit Union Administration (NCUA) review, as well as, for Pen Air FCU's records. As is required by the NCUA, I respectfully present below the minutes from the 2019 Annual Business Meeting of the membership.

2019 Pen Air Federal Credit Union Annual Business Meeting of the Membership Minutes:

The 83rd Annual Business Meeting of Pen Air Federal Credit Union was held at the Pensacola Grand Hotel, April 25, 2019.

Mr. Grady Hester, Chair, called the meeting to order at 7:00 p.m., and gave the invocation. Mr. Randy Roy led the membership in the Pledge of Allegiance.

Ascertainment of the quorum was made that the required fifteen (15) members were present, with total attendance of 65.

Mr. Hester noted to the membership that Mr. John DeLoach, Attorney, would serve at Parliamentarian.

Mr. Hester introduced to the membership the Officials at the Head Table, the Supervisory Committee, and special guests.

Mr. Hester asked for a motion to accept the Minutes of the 82nd Annual Business Meeting, as printed in the 2018 Annual Report, and the CEO & Chairman's Report, Treasurer's Report, and Supervisory Committee Report, as printed in the 2018 Annual Report.

Motion made, seconded, and carried to accept the Minutes of the 82nd Annual Business Meeting, as

printed in the 2018 Annual Report, and the CEO & Chairman's Report, Treasurer's Report, and Supervisory Committee Report, as printed in the 2018 Annual Report.

Mr. Hester turned the meeting over to Mr. Stewart Ramsey, President/CEO.

Mr. Ramsey briefed the membership on the accomplishments of the past year.

Mr. Ramsey turned the meeting back over to Mr. Hester.

Ms. McCall presented the Nominating Committee Report to the membership.

Ms. McCall noted to the membership that there were four nominees, consequently, Mr. Randy Roy and Mr. Donald Bailey were elected to serve on the Board of Directors by acclamation.

Mr. Hester asked if there was any Unfinished Business to be brought before the membership.

There was no Unfinished Business.

Mr. Hester asked if there was any New Business to be brought before the membership.

There was no New Business.

Mr. Ramsey and Mr. Hester presented to the membership the 2019 scholarship recipients that were in attendance.

Upon motion regularly made, seconded, and carried, the meeting adjourned.

Eileen Ehram, Secretary  
Grady Hester, Chair



## UNEXPIRED TERM OF THE BOARD OF DIRECTORS

Randy Roy	3 Years
Donald Bailey	3 Years
Eileen Ehram	2 Years
Ann McCall	2 Years
Stephanie Oram	2 Years
Robert Jacobson	1 Year
Grady Hester	1 Year